

BURSA MALAYSIA SECURITIES CLEARING SDN BHD
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**ISLAMIC SECURITIES SELLING AND BUYING –
NEGOTIATED TRANSACTION (“ISSBNT”)**

**REVISION AND ENHANCEMENT TO THE
FREQUENTLY ASKED QUESTIONS IN RELATION TO ISSBNT
(“ISSBNT FAQ”)**

Bursa Malaysia Securities Clearing Sdn Bhd has made revision to the ISSBNT FAQ in view of the inclusion of additional remedial option due to reclassification of the status of Shariah-compliant securities (hereinafter referred to “Additional Remedial Option”).

The Additional Remedial Option by introducing **seven (7) Market Days** of grace period to facilitate and provide an ideal window and sufficient time for the securities transfer and transactions to take place, after taking into consideration T+2 clearing and settlement cycle.

For this option to apply, the exercise has to be completed within **seven (7) Market Days** from the effective date of the updated List of Shariah-compliant Securities by the Shariah Advisory Council of the Securities Commission Malaysia, in either of the following scenarios:

Scenario 1

If the status of the ISSBNT Eligible Securities changes to Shariah non-compliant (“Reclassified Securities”) after the Approved User has **fully sold** the said securities to a third party prior to execution of Leg 2, the Approved User may recall or acquire back the securities which have been fully sold to the third party and return or sell back to the Approved Supplier under Leg 2.

Scenario 2

If the status of the Reclassified Securities changes after the Approved User **has sold a portion** of the said securities to a third party, the Approved User may recall or acquire back the portion of the said securities which have been sold to the third party and return or sell back to the Approved Supplier.

The ISSBNT FAQ has also been enhanced in terms of content to provide better guidance for all ISSBNT Participants.

Reference to the revised ISSBNT FAQ is also included in the Islamic Securities Selling and Buying – Negotiated Transaction Operational Guidelines for Approved Suppliers and Approved Users (BMSC/CD/ISSBNT/004).

Please contact any of the following persons if you have any further queries:

Matters	Contacts
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Islamic Product & Market Development

**“ANNEXURE 1”
ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION
FREQUENTLY ASKED QUESTIONS**

ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION FREQUENTLY ASKED QUESTIONS (FAQ)

Bursa Malaysia Berhad (“**Bursa Malaysia** or the **Exchange**”), had on 5 December 2017, introduced the Islamic Securities Selling and Buying – Negotiated Transaction (“ISSBNT”) framework (the **2017 ISSBNT**) for parties to undertake a transaction that delivers the equivalent outcome of a conventional securities borrowing and lending transaction but is structured based on Shariah principles. The ISSBNT framework is based on the Securities Borrowing and Lending – Negotiated Transaction (“**SBLNT**”) model which has been in existence since 2009.

The Shariah Advisory Council (“SAC”) of the Securities Commission Malaysia (“SC”) had on 26 February 2015 resolved that the ISSBNT model is permissible.

(Refer to Resolutions of the SAC of the SC 31 December 2018, page 39, which is downloadable as follows:

<https://www.sc.com.my/api/documentms/download.ashx?id=5f0c31dc-daa9-43c1-80ac-e7ecf70c8e44>.)

In January 2023, Bursa Malaysia published a revised ISSBNT Framework (2022 Version) to replace the 2017 ISSBNT with the objective of making improvements to reflect industry practices and feedback received from market participants.

These Frequently Asked Questions (“FAQ”) have been prepared with the aim of:

- (i) facilitating the understanding and compliance of the ISSBNT Participants in respect of practices to be observed in ISSBNT arrangement;
- (ii) reflecting the market practices relevant to ISSBNT, including its operationalisation and securities clearing and settlement. For more information on ISSBNT Operational Guidelines, please refer to ISSBNT Operational Guidelines for Approved Suppliers and Approved Users (BMSC/CD/ISSBNT/004) dated 29 April 2019;
- (iii) providing guidance in documenting ISSBNT Agreement (please refer to Item 6) that encompasses selling and buying of securities that meet such criteria in the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. (“BMSC”) as approved securities for an ISSBNT, defined as ISSBNT Eligible Securities (please refer to Item 5); and
- (iv) ensuring uniformity and consistency the Agreement among the ISSBNT Participants with regard to selling and buying of securities under the ISSBNT arrangement.

These FAQ shall be read concurrently with the relevant rules in relation to ISSBNT i.e. Chapter 9 of the Rules of BMSC.

(Refer to:

https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/61cecc815b711a2c982cf1bf/Chapter_9_-_220101_Expansion_of_MM.pdf)

These FAQ can be found on Bursa Malaysia's website at www.bursamalaysia.com.

FAQ:

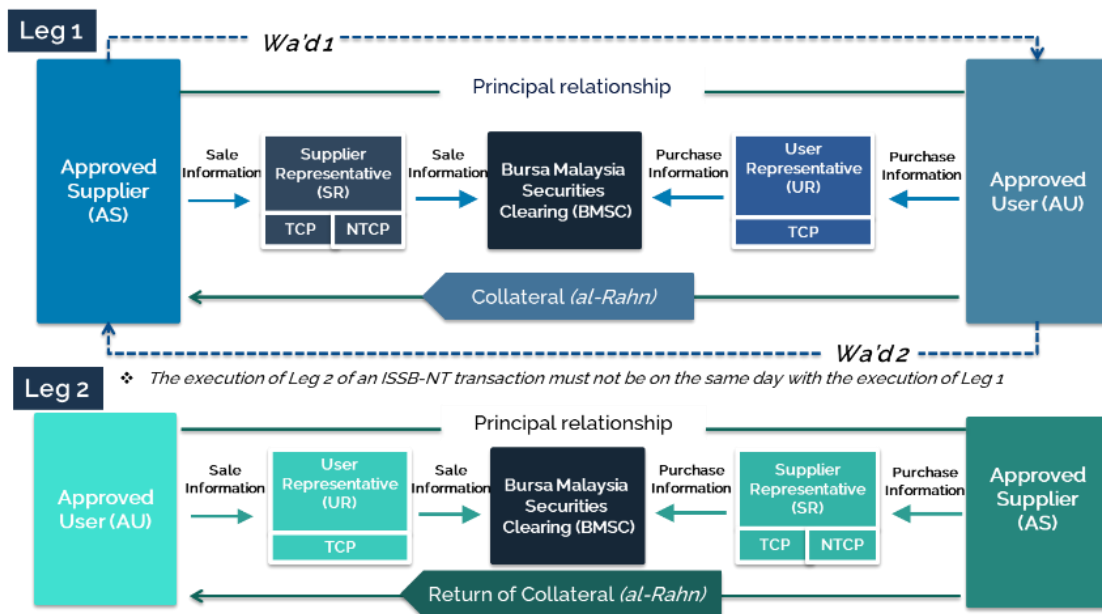
1. What is the ISSBNT model as endorsed by the SAC of the SC?

The ISSBNT involves securities selling and buying transactions entered into between an Approved Supplier (means a person approved by BMSC to be a supplier in an ISSBNT) and an Approved User (means a person approved by the BMSC to be a user in an ISSBNT) based on the ISSBNT model and facilitated by BMSC in accordance with the Rules of BMSC.

The ISSBNT model is a Shariah-compliant alternative to the conventional SBLNT model and is structured based on two outright sale (*bai'*) transactions that includes the feature of two unilateral promises or undertakings (*wa'dan*), conditional option (*khiyar al-shart*) and the provision of collateral (*al-rahm*) as security for the indebtedness.

The illustration of the ISSBNT model is as per Diagram 1.0 below:

Diagram 1.0: ISSBNT Model



AS : Approved Supplier acting as the Seller for Leg 1 and the Buyer for Leg 2
 AU : Approved User acting as the Buyer for Leg 1 and the Seller for Leg 2
 SR : Supplier Representative
 UR : User Representative

- TCP : Trading Clearing Participant or Local Brokers
 NTCP : Non-Trading Clearing Participant or Local Custodian
 BMSC : Bursa Malaysia Securities Clearing Sdn Bhd, acts as "Clearing House"

The ISSBNT Participants must execute the two unilateral promises or undertakings (*wa'dan*), i.e. *Wa'd 1* and *Wa'd 2*, to reflect the commitment of the ISSBNT Participants to perform certain obligations such as selling or delivery of securities, buying or acceptance of securities and releasing the pledged collateral upon the settlement of the contract; whereby:

- (a) *Wa'd 1* refers to the unilateral promise or undertaking issued by the Approved Supplier to buy or to accept if the Approved User sells or delivers or upon occurrence of the agreed upon trigger events; and
- (b) *Wa'd 2* refers to the unilateral promise or undertaking issued by the Approved User to:
 - (i) execute Leg 2 upon recall by the Approved Supplier or upon the occurrence of the agreed upon trigger events; and
 - (ii) adjust the value of pledged collateral in accordance to the market price of the securities on a marked to market basis.

2. What are the key differences between ISSBNT and SBLNT?

ISSBNT is architected based on the established framework of the SBLNT model. The key differences between SBLNT and ISSBNT are as follows:

SBLNT	ISSBNT
<ul style="list-style-type: none"> • Application of a 'lending-borrowing' concept. • Mainly governed by Global Master Securities Lending Agreement ("GMSLA") or Global Master Repurchase Agreement ("GMRA"). • No requirement to observe Shariah principles pertaining to interest, risks and liabilities, charges, etc. • List of eligible securities may consist of Shariah non-compliant securities. 	<ul style="list-style-type: none"> • Application of a trade i.e. selling-buying concept consisting of two outright sale transactions. • Governed by ISSBNT Agreement and two unilateral promises or undertakings (<i>wa'dan</i>). • Subject to validity of a trade contract from Shariah perspective. • A subset of the SBLNT list of eligible securities consisting of only Shariah-compliant securities published by the SAC of the SC. • Only acceptable collaterals from Shariah perspective.

3. Who can participate in ISSBNT?

In the ISSBNT Operational Guidelines for Approved Suppliers and Approved Users by BMSC, ISSBNT Participants consist of Approved Supplier and Approved User.

The qualifying criteria to become an Approved Supplier and Approved User are as follows:

Approved Supplier

Approved Supplier is an individual or corporate body who hold a valid account with the Bursa Malaysia Depository Sdn. Bhd. ("Depository").

Approved User

Approved User must be from one of the following categories:

- 1) A licensed bank, licensed investment bank or approved money-broker institution as defined under the Financial Services Act 2013 and its wholly-owned subsidiary that is a nominee company.
- 2) A financial institution established under any Act of Parliament and its wholly-owned subsidiary that is a nominee company.
- 3) A licensed Islamic Bank as defined in the Islamic Financial and Services Act 2013 and its wholly-owned subsidiary that is a nominee company.
- 4) A prescribed institution as defined in the Development Financial Institutions Act 2002 and its wholly-owned subsidiary that is a nominee company.
- 5) A bank licensee as defined under the Labuan Financial Services and Securities Act 2010 and its wholly-owned subsidiary that is a nominee company.
- 6) A holder of a Capital Markets Services License ("CMSL") for the purpose of carrying on the business of fund management, its wholly-owned subsidiary that is a nominee company and its custodian appointed pursuant to section 121 of the Capital Markets and Services Act 2007 ("CMSA").
- 7) A closed-end fund that is approved by the SC under section 212 of the CMSA and its custodian in relation to closed-end fund's investments.
- 8) A foreign fund manager.
- 9) A person appointed by the Depository to be an authorised depository agent and its wholly-owned subsidiary that is a nominee company.
- 10) A person appointed by the Depository to be an authorised direct member and its wholly-owned subsidiary that is a nominee company.
- 11) A clearing house approved under section 38 of the CMSA.
- 12) A holder of a CMSL for the purpose of carrying on the business of dealing in securities and its wholly-owned subsidiary that is a nominee company.

4. How to participate in ISSBNT?

In the Rules of BMSC (Rule 9.2 and 9.3, respectively), suppliers and users must apply to BMSC to become Approved Suppliers or Approved Users. The Approved Supplier and Approved User will have to identify and appoint a Supplier Representative and a User Representative, who will then be the liaison between the Approved Supplier or Approved User and BMSC. An Approved Supplier and an Approved User must have a valid ISSBNT Agreement before any ISSBNT can be created.

5. What is ISSBNT Eligible Securities?

ISSBNT Eligible Securities refers to the securities that are approved by BMSC that are sold or purchased in relation to ISSBNT.

6. What is ISSBNT Agreement?

ISSBNT Agreement is an agreement referred to under Rule 9.10 of the Rules of BMSC which consists of the terms and conditions of the ISSBNT by the ISSBNT Participants or their clients, between the Approved Supplier and Approved User as an option to agree to their own ISSBNT terms and conditions. The ISSBNT Agreement is a master agreement intended to govern the securities transactions entered into between the ISSBNT Participants for the purpose of securities selling and buying based on Shariah principles.

7. What are the key criteria of the ISSBNT model as endorsed by the SAC of the SC?

With reference to Diagram 1.0: ISSBNT Model above, the key criteria of the ISSBNT model are reflected in Item 7.1 to 7.9 below. These key criteria must be present before a transaction can be considered an ISSBNT.

7.1 Criterion No. 1: Transfer of Securities

Each transfer of securities from an ISSBNT Participant to another ISSBNT Participant is supported by a contract of sale (*bai'*). The ISSBNT model proposes the following two (2) outright sale transactions:

- (a) Leg 1 of the ISSBNT means the initial sale of the ISSBNT Eligible Securities by the Approved Supplier to the Approved User in accordance with the ISSBNT Model, whereby the Approved Supplier sells securities to the Approved User at an agreed sale price (Sale Price for Leg 1) on a deferred payment basis; and

- (b) Leg 2 of the ISSBNT means any subsequent sale by the Approved User to the Approved Supplier of similar or equivalent securities as that of Leg 1 of the relevant ISSBNT in accordance with the ISSBNT Model, whereby the Approved User sells similar or equivalent securities to the Approved Supplier at an agreed sale price (Exercise Price for Leg 2) on a cash payment basis via setting-off the Sale Price for Leg 2 against the Sale Price for Leg 1.

7.2 Criterion No. 2: Sale and Purchase Price

Sale values for both Leg 1 and Leg 2 should typically take into consideration the market price of the securities at the contracted date, fees, and dividend payout, as demonstrated by the following formula:

- (a) Leg 1: Sale Price = $MPt \times Q$

Where,

MPt: Market Price of the shares at Leg 1 contracted date

Q: Quantity of the shares

- (b) Leg 2: Exercise Price = $(MPt \times Q) - MI - D$

Where,

MI: Monthly Installment (reflects the "lending fee" in conventional SBLNT)

D: Dividend

7.3 Criterion No. 3: Types of Collaterals

Unless the parties agree otherwise, the indebtedness arising from Leg 1 is to be secured against acceptable collaterals as set out below. The significance of the pledged collateral is to ensure the payment of the Leg 1 transaction by the Approved User to the Approved Supplier through the set-off settlement mechanism.

- (i) Cash or cash equivalent instruments;
- (ii) Shariah-compliant securities;
- (iii) Sukuk (Malaysia);
- (iv) Sukuk (Foreign);
- (v) Sovereign bonds (Foreign) – in the event of non-availability of (i) – (iv).

Examples of cash equivalent instruments: Fixed deposit, bank draft, etc.

The collaterals given by the Approved User to the Approved Supplier should be managed as per the Policy Document on *Rahn* issued by Bank Negara Malaysia, which took effect from 1 August 2019.

(Refer to: <https://www.bnm.gov.my/documents/20124/761682/Rahn+PD.pdf>)

7.4 Criterion No. 4: Execution of Leg 1 and Leg 2 and Extinguishment

In ISSBNT, the securities sold via Leg 1 and Leg 2 are considered as different assets of sale. The set of securities transacted under Leg 1 might have been sold by Approved User of which the Approved Supplier will get upon execution of Leg 2 later, a different set of similar or equivalent securities.

The execution of Leg 2 in an ISSBNT must not be on the same day with the execution of Leg 1. The time gap is required under ISSBNT to eliminate a sale with an immediate re-purchase (*bai' al-'inah*).

When is Leg 2 expected to take place?

Leg 2 should take place when the Approved Supplier exercises his option to purchase equivalent securities as that in Leg 1 in accordance with the *Wa'd* given by the Approved User to the Approved Supplier or upon the triggering of certain events which the parties have agreed upon as circumstances when the Leg 2 transaction is to be executed e.g. the announcement of a corporate action involving the securities in question. This corporate action could include rights issues, bonus issues or mergers and acquisitions.

The parties could, in lieu of executing Leg 2 also agree to vary the number of ISSBNT Eligible Securities but this would usually be confined to situations of corporate actions such as bonus issues and subdivision of shares.

Is it possible for an Approved Supplier to sell the ISSBNT Eligible Securities that have been sold to an Approved User (under Leg 1 of ISSBNT) to a third party?

It is not possible for the Approved Supplier to sell the securities to a third party since the securities are considered transferred to and owned by the Approved User as a result of the execution of Leg 1. If the Approved Supplier intends to sell the securities to a third party, the Approved Supplier will need to have recalled the securities from the Approved User first before selling the securities to a third party.

What are examples of triggering events that would lead to the execution of Leg 2?

Execution of Leg 2 would take place upon occurrence of a triggering event as agreed between the ISSBNT Participants and set out in the *Wa'd* 1 and *Wa'd* 2 of ISSBNT.

Depending on mutual agreement between an Approved Supplier and Approved User, the circumstances and/ or events that would trigger the *Wa'd 1* to be exercised by Approved User are amongst others:

- (a) Whenever the Approved User does not want to hold the ISSBNT Securities i.e. to make full settlement of the Sale Price and to redeem the collateral.
- (b) Whenever there is any activity related to corporate action of the affected Public Listed Company ("PLC") e.g. delisting, merger, etc.

Depending on mutual agreement between Approved Supplier and Approved User, the circumstances and/ or events that would trigger *Wa'd 2* to be exercised by Approved Supplier are amongst others:

- (a) Whenever the Approved Supplier needs to recall the sold securities for the purpose of exercising its voting rights.
- (b) Whenever the Approved Supplier wants to completely dispose of its holding of the securities to the market (not through ISSBNT).
- (c) Whenever the total payment of monthly installment ("MI") and dividend ("D") exceeds 90% of the value of the Sale Price of Leg 1.
- (d) Whenever there is any issuance of 'bonus issue' or 'rights issue' by the respective PLC(s) on the assumption that the Approved Supplier would want to participate in such corporate exercises.

Can ISSBNT be extinguished without the execution of Leg 2?

The parties may also agree upfront that the ISSBNT may be extinguished without the execution of Leg 2 in certain circumstances, such as follows:

- (a) Where any of the events of default under the agreement between the ISSBNT Participants setting out the terms and conditions of the transaction are triggered; and
- (b) Where Leg 2 cannot be performed as a result of an event beyond the control of the ISSBNT Participants, and this would include the situation where the ISSBNT Securities cease to become Shariah-compliant.

7.5 Criterion No. 5: Application of *Khiyar al-Shart*

The principle of *khiyar al-shart*, which is a conditional option to cancel a previous agreed sale within a specific number of days is applied in the ISSBNT model where the Approved User may be granted a grace period to rescind the Leg 1

sale and return the purchased securities to the Approved Supplier without any cost to be incurred between the Approved Supplier and Approved User.

For the avoidance of doubt, provided that the Approved User is the owner and in possession of the purchased securities, it reserves the right to exercise the option (*khiyar*) based on mutually agreed terms and conditions. The Approved User may lose the right should there be any impediments that would prevent the Approved User from returning the securities to the Approved Supplier such as the disposal by the Approved User of the purchased securities. Collateral is enforced through a close-out and set-off mechanism.

7.6 Criterion No. 6: Remedies for Reclassification of Securities

What happens when the stocks become Shariah non-compliant after execution of Leg 1?

In the event the Shariah status of the securities turns to be Shariah non-compliant, subject to the mutual agreement between the ISSBNT Participants, the following options are available:

Scenario 1

If the status of the ISSBNT Eligible Securities changes to Shariah non-compliant ("Reclassified Securities") after the Approved User has fully sold the said securities to a third party prior to execution of Leg 2, the Approved User may wish to opt for the following remedies:

- (a) Recall or acquire back the securities which have been fully sold to the third party and return or sell back to the Approved Supplier under Leg 2. For this option to apply, the exercise has to be completed within seven (7) Market Days from the effective date of the updated List of Shariah-compliant Securities by the SAC of the SC;
- (b) Cash settlement via Commodity Murabahah transaction; or
- (c) Replacement with other Shariah-compliant securities.

Scenario 2

If the status of the Reclassified Securities changes after the Approved User has sold a portion of the said securities to a third party, the Approved User may wish to opt for the following remedies:

- (a) Recall or acquire back the portion of the said securities which have been sold to the third party and return or sell back to the Approved Supplier. For

this option to apply, the exercise has to be completed within seven (7) Market Days from the effective date of the updated List of Shariah-compliant Securities by the SAC of the SC;

- (b) The remaining units in its possession can be sold to Approved Supplier under Leg 2; and the difference can be arranged through cash settlement via Commodity Murabahah transaction; or
- (c) Replacement with other Shariah-compliant securities.

What happens if the ISSBNT Participants could not manage to dispose the Reclassified Securities within seven (7) Market Days?

In the event the disposal of the Reclassified Securities is not completed within seven (7) Market Days from the effective date of the updated List of Shariah-compliant Securities by the SAC of the SC as per Scenario 1 or Scenario 2 of the Item 7.6 above, the ISSBNT Participants may opt for other remedial options as specified in the Item 7.6 (b) and (c) above.

What happens if the ISSBNT Participants choose not to recall the Reclassified Securities?

In the event the ISSBNT Participants choose not to recall back the Reclassified Securities, the ISSBNT Participants may continue their ISSBNT Agreement via Commodity Murabahah settlement that is marked to the current market value.

How long can the ISSBNT Participants hold on to the Shariah non-compliant securities?

Based on the guide provided by the SAC of the SC in the List of Shariah-compliant Securities (Refer to: <https://www.sc.com.my/>), holding of Shariah non-compliant securities should observe the timing for the disposal of Shariah non-compliant securities.

- (a) Reclassified Securities

These refer to securities which were earlier classified as Shariah-compliant but due to certain factors such as changes in the companies' business operations and financial positions, are subsequently reclassified as Shariah non-compliant. In this regard, if, on the date this updated list takes effect (every last Friday of May and November), the respective market price of Shariah non-compliant securities exceeds or is equal to the investment cost, ISSBNT Participants who hold such securities must dispose them off.

Any dividends received up to the effective date of the Reclassified Securities and capital gains arising from the disposal of Shariah non-compliant securities on the effective date of the Reclassified Securities can be kept by the ISSBNT Participants. However, any dividends received and excess capital gain from the disposal of Shariah non-compliant securities after the effective date of the Reclassified Securities should be channeled to *baitulmal* and/ or charitable bodies. The ISSBNT Participants have a right to retain the investment cost only.

Note: Investment cost may include brokerage fee or other related transaction cost.

On the other hand, ISSBNT Participants are allowed to hold their investment in the Shariah non-compliant securities if the market price of the said securities is below the investment cost. It is also permissible for the ISSBNT Participants to keep the dividends received during the holding period until such time when the total amount of dividends received, and the market value of the Shariah non-compliant securities held equal the investment cost. At this stage, they are advised to dispose of their holding.

In addition, during the holding period, ISSBNT Participants are allowed to subscribe to:

- (i) any issue of new securities by a company whose Shariah non-compliant securities are held by the ISSBNT Participants, for example rights issues, bonus issues, special issues and warrants (excluding securities whose nature is Shariah non-compliant e.g. loan stocks); and
- (ii) Shariah-compliant securities of other companies offered by the company whose Shariah non-compliant securities are held by the ISSBNT Participants, on condition that they expedite the disposal of the Shariah non-compliant securities.

(b) Disposal of Shariah non-compliant securities

The SAC of the SC advises ISSBNT Participants who invest based on Shariah principles to dispose of any Shariah non-compliant securities which they presently hold, within a month of the announcement of the List of Shariah-compliant Securities by the SAC of the SC. Any gain made in the form of capital gain or dividend received before or after the disposal of the securities has to be channeled to *baitulmal* and/ or charitable bodies. The ISSBNT Participants have a right to retain only the investment cost.

Note: Investment cost may include brokerage fee or other related transaction cost.

7.7 Criterion No.7: Cash Settlement via Commodity Murabahah

The cash settlement via Commodity Murabahah exercise is meant to settle the Sale Price of Leg 1 transaction which was deferred as well as preservation of investment value to Approved Supplier due to inability of Approved User to perform Leg 2. Therefore, the settlement process is to ensure neither Approved Supplier nor Approved User will be adversely affected by the non-event of Leg 2.

The settlement which takes into account the movement of market price of the securities (Δ MP), total fee (MI) and total dividend (D) needs to be undertaken. As there is no exchange of securities, it would be appropriate for Approved Supplier and Approved User to undertake a Commodity Murabahah transaction to reflect the above cash settlement.

The settlement via Commodity Murabahah has no direct relationship with Leg 1 because it is a separate transaction of selling and buying a commodity at an agreed price. There will be no securities involved in this transaction.

Samples of calculation and mechanism of the settlement are provided in **Appendix 1**:

- [Sample Calculation: Scenario 1](#)
- [Sample Calculation: Scenario 2](#)
- [Sample Calculation: Scenario 3](#)
- [Sample Calculation: Scenario 4](#)

7.8 Criterion No. 8: Imposition of Compensation Charges

The imposition of compensation charges at actual loss based on the principle of compensation (*ta'widh*) on the defaulting party (any participant who does not honour its obligation(s) towards its counterparty as agreed upon) is permissible. The calculation of the actual loss is to be determined by the contracting party.

The imposition should be applicable in the event of insufficient collateral value to cover indebtedness and any other actual losses incurred by Approved Supplier (e.g. actual losses due to change of market price of the securities).

(Refer to:

https://www.bnm.gov.my/documents/20124/66548/shariah_resolutions_2nd_edition.pdf)

7.9 Criterion No. 9: Ownership, Risk & Liabilities

Similar to SBLNT, the title of the securities transfers to the Approved User. The economic rights over the securities still reside with the beneficial owner by virtue of the ISSBNT Agreement.

8. Who would ensure compliance of ISSBNT with Shariah principles?

The onus to ensure Shariah compliance of the ISSBNT lies with the ISSBNT Participants.

9. How can the Participating Organisation ("PO") utilise the Custodial Securities (referred to in paragraph 3.1 of the Directive No. 7-001) in a Shariah-compliant manner?

The PO and the Custodial Client shall execute a written agreement to allow the utilisation of the Custodial Securities for ISSBNT which shall address Shariah-compliant issues and stipulates the Custodial Client's consent to allow PO to utilise the ISSBNT Eligible Securities in its custody.

10. How do I obtain the list of ISSBNT Eligible Securities?

The list of ISSBNT Eligible Securities is made available on the website of Bursa Malaysia. The list is updated twice a year in accordance with the List of Shariah-compliant Securities by the SAC of the SC.

**“ANNEXURE 2”
ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION
OPERATIONAL GUIDELINES FOR APPROVED SUPPLIERS & APPROVED USERS**



SECURITIES CLEARING & SETTLEMENT

**ISLAMIC SECURITIES SELLING AND BUYING
NEGOTIATED TRANSACTION
("ISSBNT")**

**OPERATIONAL GUIDELINES
FOR
APPROVED SUPPLIERS &
APPROVED USERS**

(BMSC/CD/ISSBNT/004)

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5.1 Execution of Leg 2

- 5.1.1 The Approved Supplier and Approved User will have to agree on a date for Leg 2 of ISSBNT to take place.
- 5.1.2 Where the ISSBNT Securities are bought to facilitate the settlement of Potential Trade Failure (PTF), such ISSBNT Securities must be returned in full no later than 6 market days after the date of the execution of the potential failed trade (i.e. T+6).
- 5.1.3 Approved Supplier and Approved User must do the following:
 - a. Approved User to instruct its User Representative to Initiate the Leg 2; and
 - b. Approved Supplier to instruct its Supplier Representative to Accept the Leg 2.
- 5.1.4 Once both instructions are matched and confirmed by BMSC’s ISSBNT System, securities transfer will be immediate from the Approved User’s CDS account to Approved Supplier’s CDS account.

Note:

It is advisable (if item 5.2 does not apply) for an Approved Supplier to confirm the delivery of the recalled/Leg 2 securities from Approved User, prior to selling the securities. If the Approved User purchases the securities from the market to fulfil the recall, there will be a mismatch in the settlement timing.

The Approved Supplier will have to deliver the securities for the sale made by T+1 4:30pm but the delivery of securities from Approved User will only take effect on T+2. In this situation the Approved Supplier will be subject to the Buying-in rules and the relevant penalty applies.

The following table gives an illustration of this mismatch in timings:

	T	T+1	T+2
Approved Supplier	① Sells ISSBNT Securities	<i>Need to deliver ISSBNT securities for settlement (cut off by 4.30pm)</i>	⑦ Receive Recalled ISSBNT Securities after the settlement delivery deadline
	② Recalls Transaction		
Approved User	③ Receive Recall Notice	⑤ Received securities during settlement (after midnight)	⑥ Executes Leg 2 of the ISSBNT Securities to Approved Supplier
	④ Purchase Securities to execute Leg 2		

*Please refer to **Appendix 6** which illustrates the ISSBNT Extinguishment/Leg 2 process.*

For guidance in the event an ISSBNT Eligible Securities is reclassified as Shariah non-compliant, please refer to item 7.6 of ISSBNT FAQ on the options available.

5.2 Withholding From Buying-in

5.2.1 This facility is provided to an Approved Supplier to facilitate the withholding of their sell trade from buying-in due to the mismatch in settlement time when the transaction is sold and recalled on the same day. The manner in which the Approved Supplier (seller) is required to notify BMSC of the relevant details in connection with the sale and the recalled securities is through the Supplier Representative initiating the withholding from buying-in process and confirming the same.

Note: The mismatch of timing is illustrated in Section 5.1

5.2.2 In order to withhold from buying-in, an Approved Supplier will have to furnish their respective Supplier Representative with the following details:

- ISSBNT ID from where a recall has been made against the Approved User;
- Contact Date of the sell trade;
- Selling CDS account number from where the sell trade was transacted; and
- Quantity requested to withhold from buying-in.

5.2.3 The withholding from buying-in facility will only be effective for one (1) business day only (T+2).

Note: A buying-in will be instituted against the Approved Supplier if the outstanding sell trade is not delivered within the Scheduled Delivery Time as set out under Exchange Rules. Please refer to the table below for an illustration of the allowable withholding from buying-in timing.

The following table gives an illustration of the process of withholding from buying-in timing:

	T	T+1	T+2	T+3
Approved Supplier (AS)	① Sells ISSBNT Securities	③ Supplier Representative to Initiate and Confirm the Withholding From Buying-in request <i>(8:30 am to 5:00pm)</i>	④ Withholding from buying-in effected	⑤ Approved Supplier will be subjected to buying-in if ISSBNT recalled securities is unsuccessfully delivered
	② Recalls Transaction			

